

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7067

BILL NUMBER: HB 1417

NOTE PREPARED: Jan 10, 2011

BILL AMENDED:

SUBJECT: Flexibility in use of school funds.

FIRST AUTHOR: Rep. McNamara

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *CPF Utility and Property Insurance:* This bill eliminates the expiration of the authority of a school corporation to impose a property tax levy for the Capital Projects Fund, "CPF", for the purposes of paying the costs of insurance and utilities.

Transfers between Funds: The bill permits a school corporation to transfer money to a fund from any other fund, except a school bus replacement fund or a debt service fund, for two years.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *CPF Utility and Property Insurance:* The maximum amount that of CPF funding that can be used for paying the costs of insurance and utilities is about \$204.5 M each year. Currently this provision is only valid through CY 2011. In CY 2009 school expenditures from CPF for utilities and property insurance was about \$185.7 M. This bill would allow schools to use 3.5% of these funds permanently for insurance and utilities costs.

Transfers between Fund: The bill would increase a school's flexibility in the use of funds between the funds. The school board has to affirm that:

1. The transfer is not needed to meet obligations of the fund where the transfer is being made.
2. The transfer does not violate any federal law or regulation or the terms of any agreement related to

- a lease or bond.
3. The transfer is necessary.

The school can not increase its property tax levy or borrow money to make up for the reduction resulting from the transfer.

Background: The following funds and numbers of schools with reported 2009 cash balances follow:

1. General Fund: 322 schools with CY 2009 ending statewide cash balances of \$659.5 M.
2. Transportation Fund: 260 schools with a CY 2009 ending statewide cash balances of \$168.0 M.
3. Capital Projects Fund: 267 schools with CY 2009 ending statewide cash balances of \$398.5 M.
4. Local Rainy Day Fund: 212 schools with CY 2009 ending statewide cash balances of \$245.4 M.

The school General Fund is mostly funded by the state. The Transportation Fund and Capital Projects Fund and are primarily funded by property taxes. The property tax controls on the funds are:

- Transportation Fund is a levy controlled fund. The levy is allowed to increase by a certain percentage each year. The control is the same as the civil property tax controls.
- Capital Projects Fund is a rate controlled fund. The rate is a set level that varies from school to school and is adjusted by changes in inflation.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Local Schools.

Information Sources: Department of Education Databases.

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